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C O N F I D E N T I A L SECTION 01 OF 03 BEIRUT 000859

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NSC FOR ABRAMS/SINGH/MARCHESE/HARDING

E.O. 12958: DECL: 06/13/2027

TAGS: KPAO PREL PGOV LE SA

SUBJECT: LEBANON: FIGHT FOR CONTROL OF LBCI TELEVISION
HEATS UP

REF: BEIRUT 837

Classified By: Jeffrey Feltman, Ambassador, per 1.4 (b) and (d).

SUMMARY AND COMMENT

¶11. (C) Twice in recent weeks, most recently during a meeting with the Ambassador and Pol/Econ chief on political matters (reftel), Lebanese Forces leader Samir Geagea has sounded alarm bells about control of the Lebanese Broadcasting Corporation International television network (LBCI) passing into potentially hostile hands. Geagea claims that LBCI Chairman Pierre Daher, once subservient to Geagea but who gained control of LBCI upon Geagea's 1992 prison sentence, is about to conclude a deal by which Saudi Prince Walid bin Talal will increase his share from 49 to 85 percent of LBCI's satellite network, by buying shares nominally in Daher's name but which by rights -- Geagea claims -- belong to the Lebanese Forces (LF). By virtue of having control of the satellite network, Prince Walid will then control the terrestrial channel that serves Lebanon, as the latter depends on the profits made via satellite. With Prince Walid (half Lebanese through his aristocratic mother, daughter of Lebanon's first prime minister) sympathetic to the pro-Syrian March 8 forces and hoping to replace Saad Hariri as the Sunni leader of Lebanon, Geagea finds the potential loss of a mostly independent and mildly pro-March 14 television network to be alarming. He does not believe that, whatever his commercial interests, Prince Walid will forgo the opportunity to inject anti-March 14 bias into the terrestrial broadcasts.

Also hoping to regain a LF revenue stream, Geagea plans to challenge the legal ownership of LBCI in court. But, given how slowly the ownership battle will move through the court system, Geagea hopes that we can intervene with the Saudis to discourage Prince Walid's bid. Having seen the media coverage of Prince Walid's cavorting with all of the motley pro-Syrians in Lebanon, we, too, fear the political implications of LBCI landing under his control. But we do not know how much influence we might have in blocking what Prince Walid will surely claim is strictly a private commercial deal. End summary and comment.

A TALE OF TWO (EX) FRIENDS
AND A PROFITABLE FRANCHISE

¶12. (C) Lebanon's first independent television station, LBC (later LBCI) was established by Geagea's Lebanese Forces in the 1980s. Pierre Daher, now LBCI's Chairman and principle stockholder (counting the shares held by Daher's relatives),

was a follower of Geagea and quickly showed media savvy in building up the station. Both Daher and Geagea tell us the same story of LBCI's development and background to the current ownership dispute: When Geagea was sentenced to jail in 1992 and the Lebanese Forces faced state confiscation of all assets, Geagea quickly transferred nominal LF ownership of LBC to Daher and his relatives. While Geagea languished in prison, Daher expanded the capital through new share offerings, adding the satellite network in 1996 and gaining new Gulf audiences through lively entertainment.

¶3. (C) By the time Geagea was given parliamentary amnesty in 2005, the shares held by Daher and his relatives -- shares that Geagea believe rightfully belong to the Lebanese Forces -- in LBCI's profitable satellite network, based in the British Virgin Island, were diluted to about 35 percent of the total. Former Prime Minister Issam Fares has an additional 15 percent, Prince Walid owns 49 percent, with small numbers of shares held by a few others. While Daher and his family maintain majority ownership in the terrestrial network that accounts for 70 percent of Lebanon's television viewership, the money-losing terrestrial network depends on subsidies from the satellite company to survive.

¶4. (C) A lively ownership dispute has raged ever since Geagea's release from prison. Daher maintains that the asset he took over from the LF was virtually worthless and has no legal connection to the LF today. Geagea, conceding that Daher has created wealth for the company, has proposed that a reputable international auditing firm determine what percentage of Daher's shares should remain with Daher, based on his performance leading the company, and what percentage should revert to LF. Daher rejected the idea. Geagea has

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rebuffed Daher's attempt for a financial settlement, explaining that, for the LF, having political influence inside the company (which is still largely -- but not exclusively -- staffed by a high percentage of LF sympathizers) is as important as the money. Daher this week has taken out prominent advertisements in Lebanese newspapers claiming that LBCI has no connection whatsoever to the Lebanese Forces.

DAHER TO SELL TO PRINCE WALID

¶5. (C) Now, Geagea, citing sources inside LBCI, claims that Daher is on the verge of selling more than half of the shares he controls to Prince Walid for about USD 33 million, a price that Geagea complains is far below the actual value of the shares. Geagea said that he was temporarily able to derail the deal by threatening legal action, but now Prince Walid and Daher have made new arrangements. (If the asset is truly as undervalued as Geagea claims, perhaps Prince Walid has persuaded Daher to give him a reduced price to compensate for the risks of the ownership dispute. Geagea's advisor Elie Khoury argues that the allegedly low price stems from some under the table deal by which Daher still maintains more control than would nominally appear to be the case by percentage shares alone. Khoury speculates that Daher has transferred the ownership dispute issue he has with Geagea to the international realm by bringing in Prince Walid, making it that much more difficult for the LF to pursue its case.)

¶6. (C) Geagea told us that he is preparing a court case that should be ready for action in a few months. He is counting on the fact that everyone in Lebanon knows the history of LBCI and how Daher got his shares. But, in the meantime, Prince Walid might conclude his deal with Daher. As the complicated court case might drag on for years, the damage will be done: Prince Walid will have control of the content of LBCI's satellite and terrestrial networks. The Ambassador, noting that Prince Walid is a businessman with media interests (including Rotana television), asked whether this isn't simply a business deal, with Prince Walid wanting

more of what is a successful franchise in the Gulf. Geagea was convinced that, whatever the commercial interests, Prince Walid was eager to use LBCI's Lebanese broadcasts to advance his political agenda. Everyone knows that Prince Walid wants to be Lebanon's Prime Minister, Geagea noted. Geagea asked that we use whatever influence we have with the Saudis to get them to apply pressure on Prince Walid to drop his attempt to buy LBCI.

COMMENT

¶7. (C) LBCI has more than 70 percent of the Lebanese television viewership, so it would be a powerful tool to advance a political agenda. Pierre Daher, who has indeed proven to be a talented and creative media leader, has steered the station carefully, balancing the traditionally pro-LF staff with some strong Aounist sympathizers (including News Director George Ghanem) and anti-March 14 programming (such as a popular March 14-bashing comedy show). In general, while it definitely displays a politically Christian flavor, LBCI has been slightly pro-March 14 but far more independent and credible than Lebanon's other stations that are associated closely with personalities or movements. March 14 has been more often helped than hurt by LBCI's current terrestrial broadcasting.

¶8. (C) We find Geagea's fears credible that a majority share ownership of the satellite station in Prince Walid's hands will change the tenor of the domestic, terrestrial broadcasting. Prince Walid made a pitch to become Prime Minister back in spring 2005, after the fall of the Omar Karami government but before the Syrian troop withdrawal. Popular revulsion against his close association with the pro-Syrian figures seen to have been implicated in the murder of Rafiq Hariri led to Najib Mikati getting the nod to form a cabinet instead. When Prince Walid was most recently in town last month upon the death of his aunt Alia Solh (like his mother, one of the fabled Solh sisters, the daughters of Lebanon's first prime minister, Rashid al-Solh), he spent his time with the aggressively pro-Syrian March 8 politicians like Talal Arslan and Omar Karami. Not knowing Prince Walid, we don't know whether he is really as pro-Syrian as his

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reputation. But we can say with confidence that, with Solh blood running in his veins, he is anti-Hariri: the Solhs still bristle at the thought that a parvenu like Rafiq Hariri could displace Lebanon's Sunni aristocracy. That makes Prince Walid anti-March 14, and that makes his potential ownership of LBCI worrying. But, frankly, we do not know what the USG can do to prevent what he would no doubt claim is purely a commercial deal. End comment.

FELTMAN